

Hearing Date: February 7, 2008
Hearing Time: 10:00 a.m. (Prevailing Eastern Time)

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11
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DELPHI CORPORATION, <u>et al.</u> ,	:	Case No. 05-44481 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	:	
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DEBTORS' STATEMENT OF DISPUTED ISSUES WITH RESPECT TO
PROOF OF CLAIM NUMBER 11534 (MORGAN ADVANCED CERAMICS/DIAMONEX
PRODUCTS DIVISION)

("STATEMENT OF DISPUTED ISSUES – MORGAN ADVANCED
CERAMICS/DIAMONEX PRODUCTS DIVISION")

Delphi Corporation ("Delphi") and certain of its subsidiaries and affiliates, including Delphi Automotive Systems LLC ("DAS LLC"), debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors"), hereby submit this Statement Of Disputed Issues (the "Statement Of Disputed Issues") With Respect To Proof Of Claim Number 11534 filed by Morgan Advanced Ceramics/Diamonex Products Division ("Morgan Advanced") and respectfully represent as follows:

Background

1. On October 8 and 14, 2005 (the "Petition Date"), the Debtors filed voluntary petitions under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as then amended, in the United States Bankruptcy Court for the Southern District of New York.
2. On July 27, 2006, Morgan Advanced filed proof of claim number 11534 (the "Proof of Claim") against Delphi. The Proof of Claim asserts a secured claim in the amount of \$550,547.81 for the sale of goods (the "Claim"), allegedly secured by the right of setoff.
3. On October 26, 2007, the Debtors objected to the Proof of Claim pursuant to the Debtors' Twenty-Second Omnibus Objection Pursuant To 11 U.S.C. Section 502(b) And Fed. R. Bankr. P. 3007 To Certain (A) Duplicate Or Amended Claims, (B) Equity Claims, (C) Insufficiently Documented Claims, (D) Claims Not Reflected On Debtors' Books And Records, (E) Untimely Claims, And (F) Claims Subject To Modification, Tax Claims Subject To Modification, Modified Claims Asserting Reclamation, Claims Subject To Modification That Are Subject To Prior Orders, And Modified Claims Asserting Reclamation That Are Subject To Prior Orders (Docket No. 10738) (the "Twenty-Second Omnibus Claims Objection").

4. On November 20, 2007, Morgan Advanced filed its Morgan Advanced Ceramics/Diamonex Response To Twenty-Second Omnibus Objection (Docket No. 10991) (the "Response").

Disputed Issues

A. Neither Delphi Nor DAS LLC Owes Morgan Advanced The Amount Asserted In The Proof Of Claim

5. Morgan Advanced asserts in the Proof of Claim that Delphi owes it a total of \$550,547.81 for goods sold. The Debtors have reviewed the information attached to the Proof of Claim and the Response and disputes that either Delphi or DAS LLC owes the amount asserted in the Proof of Claim.¹

6. Right of Setoff. Based on the Debtors' books and records, Morgan Advanced owed DAS LLC \$342,045.32 for certain uncoated valves sold by DAS LLC to Morgan Advanced. Accordingly, \$342,045.32 should be subtracted from the amount claimed.

7. Right of Setoff Due To Overpayment. Due to incorrect pricing, DAS LLC overpaid for material from September 2004 to October 5, 2005. A prepetition debit was accordingly issued against Morgan's account to recover the amount overpaid. The Debtors are not liable for the difference in pricing between the contract price and the price paid for materials by DAS LLC. Therefore, \$201,484.92 should be subtracted from the amount of the Proof of Claim to recover the amount overpaid for materials.

8. Proof of Deliveries. Morgan Advanced claimed \$7,017.57 in amounts owed based on the sale of goods for which it did not provide proofs of deliveries. Delphi's

¹ Although the Proof of Claim was asserted against Delphi, the Debtors believe the Proof of Claim is more properly asserted against DAS LLC and have sought to change the Debtor entity against which the claim is asserted to DAS LLC.

General Terms And Conditions governing its dealings with suppliers require that suppliers "promptly forward the original bill of lading or other shipping receipt with respect to each shipment as Buyer instructs." See General Terms And Conditions, § 2.1. DAS LLC has no record of receiving the goods associated with the Proof of Claim. Because Morgan Advanced has not provided proofs of delivery with respect to these goods, the amounts asserted with respect to them should not be included in the claim.

9. After taking into account the above-referenced deductions to the Proof of Claim, the Debtors reconciled the Proof of Claim as illustrated in the following chart:

<u>Claimant's Asserted Amount</u>		\$550,457.81
<u>Modifications</u>	Right of Setoff	(\$342,045.32)
	Right of Setoff Due To Overpayment	(\$201,484.92)
	Invoices Without Proof of Delivery	(\$7,017.57)
<u>Reconciled Amount</u>		\$0.00

Reservation Of Rights

10. This Statement Of Disputed Issues is submitted by the Debtors pursuant to paragraph 9(d) of the Order Pursuant To 11 U.S.C. § 502(b) And Fed. R. Bankr. P. 2002(m), 3007, 7016, 7026, 9006, 9007, And 9014 Establishing (i) Dates For Hearings Regarding Objections To Claims And (ii) Certain Notices And Procedures Governing Objections To Claims (Docket No. 6089) (the "Claims Objection Procedures Order"). Consistent with the provisions of the Claims Objection Procedures Order, the Debtors' submission of this Statement Of Disputed Issues is without prejudice to (a) the Debtors' right to later identify and assert additional legal and factual bases for disallowance, expungement, reduction, or reclassification of the Claim

and (b) the Debtors' right to later identify additional documentation supporting the disallowance, expungement, reduction, or reclassification of the Claim.

WHEREFORE the Debtors respectfully request that this Court enter an order (a) disallowing and expunging the Proof of Claim and (b) granting the Debtors such other and further relief as is just.

Dated: New York, New York
December 12, 2007

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